

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

U.S. ETHERNET INNOVATIONS, LLC,

No. C 10-3724 CW

Plaintiff,

v.

ACER, INC.; ACER AMERICA
CORPORATION; APPLE, INC.; ASUS
COMPUTER INTERNATIONAL; ASUSTEK
COMPUTER, INC.; DELL, INC.;
FUJITSU, LTD.; FUJITSU AMERICA,
INC.; GATEWAY, INC.; HEWLETT
PACKARD CO.; SONY CORPORATION;
SONY CORPORATION OF AMERICA; SONY
ELECTRONICS INC.; TOSHIBA
CORPORATION; TOSHIBA AMERICA,
INC.; and TOSHIBA AMERICA
INFORMATION SYSTEMS, INC.,

Defendants.

INTEL CORPORATION; NVIDIA
CORPORATION; MARVELL
SEMICONDUCTOR, INC.; Atheros
COMMUNICATIONS, INC.; and
BROADCOM CORPORATION,

Intervenors.

_____/

U.S. ETHERNET INNOVATIONS, LLC,,

No. C 10-5254 CW

Plaintiff,

ORDER GRANTING IN
PART AND DENYING
IN PART MOTION FOR
PARTIAL SUMMARY
JUDGMENT

v.

ADDRESSING MARKING
AND NOMINAL
DAMAGES (Docket
Nos. 766 in 10-
3724, 450 in 10-
5254), GRANTING
USEI'S RULE 56(D)
MOTION (Docket No.
793 in 10-3724)
AND GRANTING IN
PART AND DENYING
IN PART USEI'S
MOTION FOR LEAVE
TO FILE A NOTICE
OF NEWLY
DISCOVERED
EVIDENCE AND A
SURREPLY (Docket
No. 823 in 10-
3724)

AT&T MOBILITY LLC; BARNES &
NOBLE, INC.; CLAIRE'S BOUTIQUES,
INC.; J. C. PENNEY COMPANY, INC.;
SALLY BEAUTY HOLDINGS, INC.; ANN
TAYLOR STORES CORPORATION; ANN
TAYLOR RETAIL, INC.; HARLEY-
DAVIDSON, INC.; HARLEY-DAVIDSON
MOTOR COMPANY, INC.; KIRKLAND'S
INC.; KIRKLAND'S STORES, INC.;
MACY'S, INC.; MACY'S RETAIL
HOLDINGS, INC.; MACY'S WEST
STORES, INC.; NEW YORK & COMPANY,
INC.; LERNER NEW YORK, INC.;
RADIOSHACK CORPORATION; RENT-A-
CENTER, INC.; and THE DRESS BARN,
INC.,

Defendants.

AND ALL RELATED CLAIMS AND
COUNTERCLAIMS

Intervenors Intel Corporation, Broadcom Corporation,
Marvell Semiconductor Inc., Nvidia Corporation, Atheros
Communications Inc. and Sigma Designs, Inc., and Defendants Acer,
Inc., Acer America Corporation, Apple, Inc., Asustek Computer
Inc., AT&T Services, Inc., Dell Inc., Fujitsu Ltd., Fujitsu
America, Inc., Gateway, Inc., Hewlett Packard Co., Sony
Corporation, Sony Corporation of America, Sony Electronics Inc.,
Toshiba Corporation, Toshiba America, Inc., and Toshiba America
Information Systems, Inc. (collectively, with Defendant ASUS
Computer International, Movants) move for partial summary judgment
against Plaintiff U.S. Ethernet Innovations, LLC (USEI), seeking a
determination that USEI cannot recover pre-suit damages for

1 infringement of three of the patents-in-suit, U.S. Patent Nos.
2 5,434,872, issued on July 18, 1995 (the '872 Patent), 5,307,459,
3 issued on April 26, 1994 (the '459 Patent) and 5,299,313, issued
4 on March 29, 1994 (the '313 Patent) based on its failure to mark
5 under 35 U.S.C. § 287(a).¹ ASUS Computer International also seeks
6 a determination that USEI cannot recover pre-suit damages for
7 infringement of the '313 Patent based on its failure to mark.
8 Intel and Nvidia further move for partial summary judgment
9 precluding USEI from recovering more than nominal damages against
10 them. USEI opposes the motion, moves to continue resolution of
11 Intel and Nvidia's request under Federal Rule of Civil Procedure
12 56(d) and moves for leave to file a notice of additional evidence
13 and a surreply. Having considered the papers filed by the parties
14 and their arguments at the hearing on this motion, the Court
15 GRANTS in part the motion for partial summary judgment, DENIES it
16 in part, GRANTS the Rule 56(d) motion and GRANTS IN PART AND
17 DENIES IN PART the motion for leave to file a notice of additional
18 evidence and surreply.

19 BACKGROUND

20 On June 1, 1999, 3Com Corporation, the original owner of the
21 patents-in-suit, entered into a license agreement with
22 International Business Machines Corporation (IBM). Constant Decl.
23 ¶ 2, Ex. A.1. Among other things, the license agreement addressed
24 IBM's use of "3COM Licensed Patents," which are defined to "mean
25

26
27 ¹ Movants do not seek summary judgment regarding U.S. Patent
28 No. 5,732,094 (the '094 Patent) on this ground. Accordingly,
USEI's argument that the '094 Patent is not subject to the
requirements of 35 U.S.C. § 287(a) is not on point.

all patents," with certain limitations, "issued or issuing on patent applications entitled to an effective filing date prior to June 1, 2005" and for which 3Com had the right to grant licenses.

Id. at § 1.4. The license agreement provided in relevant part that 3Com

grants to IBM, as Grantee, a nonexclusive and worldwide license under 3COM's Licensed Patents:

- (a) to make (including the right to use any apparatus and practice any method in making), use, import, offer for sale, lease, sell, and/or otherwise transfer or distribute IBM's Licensed Products, and/or practice any businesses related to such IBM Licensed Products;
- (b) to have IBM's Licensed Products made by another manufacturer for the use, importation, offer for sale, lease, sale and/or other transfer or distribution by IBM only when the conditions set forth in Section 2.2 are met.

. . . .

Id. at § 2.1.2. The phrase "any apparatus" was not defined in the license agreement. However, the agreement did provide definitions for several types of apparatuses, including "Manufacturing Apparatus," "Data Processing Apparatus" and "Semiconductor Apparatus." Id. at §§ 1.8-1.11.

Section 2.2 provided,

The License granted in [Section 2.1.2(b)] to the respective Grantee to have products made by another manufacturer:

. . . .

- (b) shall only apply when the specifications for such Grantee's Licensed Products were created by or for the Grantee (either solely or jointly with one or more third parties; and
- (c) shall not apply to (i) any methods used; or (ii) any products in the form manufactured or marketed by said other manufacturer prior to the Grantee's furnishing of said specifications.

1 . . .
 2 Id. at § 2.2.

3 The agreement defined "IBM Licensed Products" to mean "IHS
 4 Products and Peripheral Devices." Id. at § 1.5. In turn, "IHS
 5 Products" was defined to mean,

6 an Information Handling System or any instrumentality or
 7 aggregate of instrumentalities (including without
 8 limitation, any component, subassembly, computer program
 9 or supply) designed for incorporation in an Information
 10 Handling System. . . .

11 Id. at § 1.2. An "Information Handling System" referred to

12 any instrumentality or aggregate of instrumentalities
 13 primarily designed to compute, classify, process,
 14 transmit, receive, retrieve, originate, switch, store,
 15 display, manifest, measure, detect, record, reproduce,
 16 handle or utilize any form of information, intelligence
 17 or data for business, scientific, control,
 18 entertainment, or other purposes.

19 Id. at § 1.1. A "Peripheral Device" meant "an ancillary device
 20 which is designed to operate in combination with a Grantee's
 21 Licensed Product." Id. at § 1.19. The agreement did not require
 22 that IBM Licensed Products be marked with the relevant patents
 23 utilized, including the patents-in-suit.

24 On November 8, 2002, Intel and 3Com entered into three
 25 agreements to resolve litigation taking place between 3Com and
 26 Xircom, Inc., a subsidiary of Intel. Jones Decl., Ex. AA.² These
 27 included a settlement agreement, a covenant not to sue and a cross
 28 license. The latter two documents were attached to the
 settlement agreement as exhibits. In the covenant not to sue,
 Intel and 3Com agreed not to assert "any Patent" that they owned
 against one another for a two-year time period. Id. at Ex. I

² Although USEI refers to this as the "IBM Settlement Agreement," IBM was not a party to any of the three agreements.

(Covenant Not to Sue) §§ 3.2.1, 3.2.2. The covenant not to sue did not require Intel to mark any products it made during this time period to qualify for the protection under it. In the cross-license agreement, 3Com granted Xircom and Intel a license to practice five of 3Com's patents, none of which are at issue in this case. Id. at Ex. H (Cross License Agreement) §§ 1.6, 3.3, 3.4.

Between 2003 and 2006, 3Com's patented product sales totaled about \$200 million. Constant Decl., Ex. A.5, 475:16-23; Constant Decl., Ex. A.6. Between November 2003 and November 2004, Intel sold more than 140 million components that USEI now accuses of infringing the patents-in-suit, for almost \$1.9 billion. Insley Decl. ¶ 3, Ex. B. Between 2004 and 2009, IBM purchased more than twenty-five million Intel components, for more than \$350 million. Insley Decl. ¶ 2, Ex. A. The "vast majority" of the components that IBM purchased from Intel were incorporated into IBM products that it subsequently sold to customers. Constant Decl., Ex. A.3, ¶ 10.³ In the present lawsuit, USEI's infringement contentions against Intel accuse many of the components that IBM purchased for inclusion in its products. Constant Decl., Ex. A.2, 2-5. Neither IBM nor Intel marked their products with the '872, '459 or '313 Patent numbers. Schiffhauer Decl. ¶ 2; Constant Decl., Ex. A.3 ¶ 11.

³ In their reply brief, Movants cite "Exhibit C" to the Constant declaration. However, there is no such exhibit attached to this declaration, and it appears that Movants intended to refer to Exhibit A.3 to the declaration instead.

1 Starting in 2003, 3Com was involved in a separate lawsuit in
2 this district with Realtek Semiconductor System and D-Link
3 Systems, Inc. In that case, 3Com alleged that Realtek and D-Link
4 infringed of the '872, '459 and '094 Patents. The '313 Patent was
5 not at issue in that case. In 2008, the court denied Realtek's
6 motion for partial summary judgment based on marking. Jones
7 Decl., Ex. I. In opposing the summary judgment motion, 3Com
8 offered "a spreadsheet showing the sales of products practicing
9 the patents at issue for which marked samples have been located
10 and products for which marked samples could not be found during
11 the period roughly from 1997 until [July 13, 2004] . . . According
12 to this spreadsheet, 3Com sold 32,196,864 units practicing the
13 patents at issue during this time, of which 4,803,508 units, or
14 14.9 percent were of product types for which 3Com could not locate
15 a marked sample." Id. at 1, 7. Although the court noted that
16 "[m]arking 85 percent of products sold is almost certainly not
17 marking 'substantially all' products," it held that a jury could
18 infer, based on other evidence in the record, that, although 3Com
19 had lost some documentary evidence, it had a practice of marking
20 its products since at least 1997 and thus that the remaining
21 products for which documentary evidence did not exist were in fact
22 marked. Id. at 7-8. USEI has offered here the evidence that 3Com
23 submitted in the Realtek case.

24 At the deposition taken in this matter, USEI's Rule 30(b)(6)
25 witness testified that he did not know if there were ever any
26 products marked with the '313 Patent produced by 3Com or anyone
27 else. Constant Decl., Ex. A.7, 21:6-14. USEI contends that 3Com
28 did practice this patent. Constant Decl., Ex. A.2, 18.

1 USEI also offers evidence that it has entered into license
2 agreements with Realtek, ADMtek and VIA, to authorize them to use
3 some or all of the '459, '872 and '094 Patents, that these
4 licenses included marking requirements, and that the licenses had
5 complied with their marking obligations or that 3Com took steps to
6 ensure that they did so.

7 LEGAL STANDARD

8 Summary judgment is properly granted when no genuine and
9 disputed issues of material fact remain, and when, viewing the
10 evidence most favorably to the non-moving party, the movant is
11 clearly entitled to prevail as a matter of law. Fed. R. Civ. P.
12 56; Celotex Corp. v. Catrett, 477 U.S. 317, 322-23 (1986);
13 Eisenberg v. Ins. Co. of N. Am., 815 F.2d 1285, 1288-89 (9th Cir.
14 1987).

15 The moving party bears the burden of showing that there is no
16 material factual dispute. Therefore, the court must regard as
17 true the opposing party's evidence, if supported by affidavits or
18 other evidentiary material. Celotex, 477 U.S. at 324; Eisenberg,
19 815 F.2d at 1289. The court must draw all reasonable inferences
20 in favor of the party against whom summary judgment is sought.
21 Matsushita Elec. Indus. Co. v. Zenith Radio Corp., 475 U.S. 574,
22 587 (1986); Intel Corp. v. Hartford Accident & Indem. Co., 952
23 F.2d 1551, 1558 (9th Cir. 1991).

24 Material facts which would preclude entry of summary judgment
25 are those which, under applicable substantive law, may affect the
26 outcome of the case. The substantive law will identify which
27 facts are material. Anderson v. Liberty Lobby, Inc., 477 U.S.
28 242, 248 (1986).

1 Where the moving party does not bear the burden of proof on
2 an issue at trial, the moving party may discharge its burden of
3 production by either of two methods:

4 The moving party may produce evidence negating an
5 essential element of the nonmoving party's case, or,
6 after suitable discovery, the moving party may show that
7 the nonmoving party does not have enough evidence of an
8 essential element of its claim or defense to carry its
9 ultimate burden of persuasion at trial.

10 Nissan Fire & Marine Ins. Co., Ltd., v. Fritz Cos., Inc., 210 F.3d
11 1099, 1106 (9th Cir. 2000).

12 If the moving party discharges its burden by showing an
13 absence of evidence to support an essential element of a claim or
14 defense, it is not required to produce evidence showing the
15 absence of a material fact on such issues, or to support its
16 motion with evidence negating the non-moving party's claim. Id.;
17 see also Lujan v. Nat'l Wildlife Fed'n, 497 U.S. 871, 885 (1990);
18 Bhan v. NME Hosps., Inc., 929 F.2d 1404, 1409 (9th Cir. 1991). If
19 the moving party shows an absence of evidence to support the non-
20 moving party's case, the burden then shifts to the non-moving
21 party to produce "specific evidence, through affidavits or
22 admissible discovery material, to show that the dispute exists."
23 Bhan, 929 F.2d at 1409.

24 If the moving party discharges its burden by negating an
25 essential element of the non-moving party's claim or defense, it
26 must produce affirmative evidence of such negation. Nissan, 210
27 F.3d at 1105. If the moving party produces such evidence, the
28 burden then shifts to the non-moving party to produce specific
evidence to show that a dispute of material fact exists. Id.

1 If the moving party does not meet its initial burden of
2 production by either method, the non-moving party is under no
3 obligation to offer any evidence in support of its opposition.
4 Id. This is true even though the non-moving party bears the
5 ultimate burden of persuasion at trial. Id. at 1107.

6 DISCUSSION

7 I. Failure to mark

8 Movants contend that they are entitled to a summary
9 adjudication that USEI cannot collect pre-suit damages for
10 infringement of the '459, '872 and '313 Patents pursuant to 35
11 U.S.C. § 287(a) because it cannot show that "substantially all" of
12 the licensed products were marked during the damages period⁴ or
13 that it provided any or adequate actual notice of alleged
14 infringement to Movants.⁵ They argue that, even assuming that
15 3Com marked substantially all of the products that it sold itself,
16 this is not sufficient to meet the statutory requirement because
17 3Com's sales were dwarfed by the sales by Intel and IBM, as
18 licensees, of purportedly infringing products.

22
23 ⁴ USEI filed the original complaint in the earlier case on
24 October 9, 2009. Title 35 U.S.C. § 286 provides that "no recovery
25 shall be had for any infringement committed more than six years
prior to the filing of the complaint or counterclaim for
infringement in the action." Accordingly, USEI may not recover
damages for infringement that occurred prior to October 3, 2003.

26 ⁵ ASUS Computer International joins this motion as to the
27 '313 Patent but not as to the '459 and '872 Patents. It
28 acknowledges that it received a letter from 3Com dated December 8,
2003, asserting that certain ASUS products infringed the '459 and
'872 Patents.

1 USEI responds that 3Com and its authorized licensees did mark
2 "substantially all" patented products that they produced, and it
3 disputes that Intel and IBM were actually licensed.⁶

4 Title 35 U.S.C. § 287(a) provides,

5 Patentees, and persons making, offering for sale, or
6 selling within the United States any patented article
7 for or under them, . . . may give notice to the public
8 that the same is patented, either by fixing thereon the
9 word "patent" or the abbreviation "pat.", together with
10 the number of the patent, or by fixing thereon the word
11 "patent" or the abbreviation "pat." together with an
12 address of a posting on the Internet, accessible to the
13 public without charge for accessing the address, that
14 associates the patented article with the number of the
15 patent, or when, from the character of the article, this
16 can not be done, by fixing to it, or to the package
17 wherein one or more of them is contained, a label
18 containing a like notice. In the event of failure so to
19 mark, no damages shall be recovered by the patentee in
20 any action for infringement, except on proof that the
21 infringer was notified of the infringement and continued
22 to infringe thereafter, in which event damages may be
23 recovered only for infringement occurring after such
24 notice. Filing of an action for infringement shall
25 constitute such notice.

26 "Thus, the statute defines that '[a patentee] is entitled to
27 damages from the time when it either began marking its product in
28 compliance with section 287(a)[, constructive notice,] or when it
actually notified [the accused infringer] of its infringement,
whichever was earlier.'" Maxwell v. J. Baker, Inc., 86 F.3d 1098,
1111 (Fed. Cir. 1996) (quoting American Medical Sys., Inc. v.
Medical Eng'g Corp., 6 F.3d 1523, 1537 (Fed. Cir. 1993))
(formatting in original). The Federal Circuit has "construed

26 ⁶ USEI has not presented any argument to dispute Movants'
27 contentions regarding the issue of actual notice. Although it
28 avers in a footnote that "[a]ny decision on actual notice is
premature" in light of the status of discovery, Opp. at 19 n.51,
it has not made a showing of any essential facts relevant to this
determination that it may obtain through discovery.

1 section 287(a) to require that 'once marking has begun, it must be
2 substantially consistent and continuous in order for the party to
3 avail itself of the constructive notice provisions of the
4 statute.'" Id. (quoting American Medical Sys., 6 F.3d at 1537).

5 "In addition to governing patent owners, the provisions of 35
6 U.S.C. § 287(a) extend to licensees." Tulip Computers Int'l B.V.
7 v. Dell Computer Corp., 262 F. Supp. 2d 358, 362 (D. Del. 2003)
8 (citing 35 U.S.C. § 287(a); Devices for Medicine, Inc. v. Boehl,
9 822 F.2d 1062 (Fed. Cir. 1987)); see also Amsted Indus. v. Buckeye
10 Steel Castings Co., 24 F.3d 178, 185 (Fed. Cir. 1994) ("A licensee
11 who makes or sells a patented article does so 'for or under' the
12 patentee, thereby limiting the patentee's damage recovery when the
13 patented article is not marked."); Maxwell, 86 F.3d at 1111
14 ("licensees, such as Target, and other authorized parties, such as
15 Target's manufacturers, must also comply" with the marking
16 requirement). "Thus, while an infringer's failure to mark does
17 not implicate Section 287(a), . . . a licensee's failure to mark
18 does bear consequences for a patent owner seeking damages for
19 infringement." Id. (internal citation omitted). "A patent owner
20 bears responsibility to ensure that 'licensees . . . and other
21 authorized parties . . . comply' with Section 287(a)." Id.
22 (quoting Maxwell, 86 F.3d at 1111-12). This requirement applies
23 to both express licensees and implied licensees. Amsted Indus.,
24 24 F.3d at 185.

25 "However, with third parties unrelated to the patentee, it is
26 often more difficult for a patentee to ensure compliance with the
27 marking provisions." Maxwell, 86 F.3d at 1111. "A 'rule of
28 reason' approach is justified in such a case and substantial

1 compliance may be found to satisfy the statute." Id. "When the
2 failure to mark is caused by someone other than the patentee, the
3 court may consider whether the patentee made reasonable efforts to
4 ensure compliance with the marking requirements." Id. at 1111-12.

5 As the patentee, USEI bears the burden of pleading and
6 proving compliance with the marking statute. Id. at 1111.

7 As previously noted, the parties dispute whether Intel or IBM
8 was either explicitly or implicitly licensed to practice the
9 patents at issue. If Intel and IBM were not acting in accordance
10 with a license or with their obligations under a license when they
11 sold the products in question, then the sales may not be imputed
12 to 3Com or its successor, USEI. See Maxwell, 86 F.3d at 1111-12;
13 Tulip, 262 F. Supp. 2d at 362.

14 Regarding IBM, USEI argues that the 1999 license agreement
15 between 3Com and IBM did not permit IBM to purchase infringing
16 Intel components and then resell them, absent compliance with the
17 requirements of section 2.2 of the agreement that IBM create the
18 specifications for the products and not purchase premade items.
19 Movants contend that the evidence shows that IBM did not simply
20 sell the premade components but instead used them to make its
21 Licensed Products and then sold the completed item. Movants argue
22 that this was authorized by section 2.1.2(a) of the license
23 agreement, which permits IBM to "use any apparatus . . . in
24 making" its Licensed Products.

25 USEI's interpretation of the 3Com-IBM license agreement is
26 not persuasive. The sections on which it relies govern the terms
27 under which IBM can use 3Com's patents "to have IBM's Licensed
28 Products made by another manufacturer." Constant Decl., Ex. A.1,

1 §§ 2.1.2(b), 2.2. Thus, these sections do not address the terms
2 under which IBM can obtain parts for use when it makes its own
3 Licensed Products. Here, there is no dispute that IBM made its
4 own products; the issue is instead whether it was permitted to
5 obtain purportedly infringing, premade components and to use those
6 components when it made its products.

7 As Movants contend, pursuant to section 2.1.2(a) of the
8 license agreement, the answer is that IBM was allowed to do this.
9 In that provision, 3Com gave IBM the right to make its own
10 Licensed Products and to "use any apparatus" in doing so. The
11 agreement placed no restriction that IBM was permitted to use only
12 particular types of components--for example, those obtained from
13 licensed chip suppliers--and instead unambiguously provided that
14 "any apparatus" could be used. USEI provides no argument that the
15 relevant components accused here do not qualify as "any apparatus"
16 under the terms of section 2.1.2(a). Although USEI argues that
17 the reference in section 2.1.2(a) to "any apparatus" should be
18 construed to mean only "manufacturing apparatus," it provides no
19 reason that this phrase should be so construed. Notably, the
20 parties to the agreement specifically defined and used the term
21 "manufacturing apparatus" elsewhere in the agreement where they
22 intended to do so and distinguished it from other apparatus types.
23 Thus, to define apparatus to mean "manufacturing apparatus" here
24 would render other parts of the agreement surplusage or
25 contradictory. Further, the Court notes that the term "apparatus"
26 is frequently used in the patents at issue themselves to refer to
27 the claimed inventions.
28

1 The sole case upon which USEI relies is not to the contrary.
2 In that case, Tulip Computers, IBM had entered into a license
3 agreement with Tulip very similar to the one at issue here. In
4 that case, the court held that IBM's purchase and sale of the
5 allegedly infringing products from Dell was not imputable to Tulip
6 because IBM had not complied with the specific restrictions on its
7 "have made" rights under section 2.2 of the agreement and was thus
8 not acting within its license granted by Tulip. Tulip Computers,
9 262 F. Supp. 2d at 366. However, there, IBM had entered into a
10 remarketing agreement with Dell Computer Corporation, pursuant to
11 which "IBM made off-the-shelf purchases of products manufactured
12 by Dell and resold them to its customers." Id. at 360. Thus,
13 there, IBM did not make the products at issue and rather purchased
14 them premade. In contrast, here, IBM made its own licensed
15 products, using chips purchased from Intel. USEI's argument that
16 Movants' interpretation would render the restrictions in section
17 2.2 of the agreement "virtually meaningless" is also unavailing.
18 IBM was not allowed to have its own licensed products made by
19 another manufacturer practicing 3Com's patents, except in
20 compliance with those restrictions.

21 Thus, because the license agreement allowed IBM to make and
22 sell its own licensed products, using any apparatus to do so, it
23 acted pursuant to its license rights when it made and sold
24 products that included purportedly infringing components that it
25 purchased from Intel.⁷ Accordingly, those products--the "vast
26 _____

27 ⁷ USEI has moved for leave to file a surreply to address this
28 issue. It contends that this argument was raised for the first
time in Movants' reply brief.

majority" of twenty-five million between 2004 and 2009--can be imputed to 3Com and USEI. There is no dispute that neither Intel nor IBM marked these products or components with the patent numbers. USEI has not offered evidence that the products sold by IBM constitute a de minimis number of the licensed products or that the marked products sold by 3Com or the licensees whose agreement required marking constituted substantially all of the relevant products sold.

USEI contends that summary judgment is nevertheless inappropriate because "3Com made reasonable efforts to ensure compliance with the marking requirements." Opp. at 13-16. It argues that, because the IBM-3Com cross-licensing agreement was "broad" and encompassed the entirety of each company's portfolio of patents, it would have been unreasonable for 3Com to monitor IBM's large number of products to determine which infringed the patents-in-suit. It contends that IBM-3Com agreement did not have "any relationship to the patents at issue" here and that there is

In their opening brief, Movants made clear that they based their arguments in part on IBM's sale of its own licensed computers that were built with accused Intel components, not simply on IBM's "sale of accused Intel chips," as USEI argues. Mot. for Leave to File a Notice and Surreply, Docket No. 823, 2 n.1; see, e.g., Mot. at 3 (arguing that "IBM purchased more than 25 million Intel components now accused of infringement for inclusion in IBM's licensed products"). Thus, USEI could have responded to this argument in its opposition brief. Further, even if USEI misunderstood the argument at the time that it filed its opposition, it had ample opportunity to present any further response on this issue at the hearing.

Nonetheless, because the Court has considered the arguments raised by USEI in its proposed surreply and has not found them meritorious, the Court GRANTS it leave to file the surreply.

1 no evidence that 3Com suspected that IBM was selling products that
2 infringed any of these patents.

3 However, here, the evidence does not support that 3Com made
4 reasonable efforts to ensure that IBM marked any licensed products
5 with the patents-in-suit. In fact, the evidence offered shows
6 that 3Com took no steps whatsoever to do so. Even if it would
7 have been burdensome for 3Com to monitor whether IBM was in fact
8 marking all products practicing the patents, 3Com failed even to
9 include in the licensing agreement an obligation that IBM itself
10 make efforts to mark any products that it reasonably believed
11 practiced 3Com's patents.⁸ It instead authorized IBM to practice
12 the patents-in-suit without any requirement that IBM even make a
13 minimal effort to mark them. 3Com could reasonably have taken
14 such a step without first knowing itself that IBM was making
15 products that practiced its patents, given that 3Com was
16 authorizing IBM to do so.⁹ USEI's argument that the licensing
17
18
19
20

21 ⁸ The Court also notes that, although USEI contends that it
22 would have been unreasonable to expect 3Com to investigate fully
23 which IBM products practiced each of 3Com's patents in order to
24 monitor compliance and to know which products had to be marked
with the patents-in-suit, 3Com would simply have had to conduct
the same type of investigation that USEI was required to conduct
for the accused products in this suit.

25 ⁹ Movants have offered some evidence that 3Com did in fact
26 have such knowledge. Notably, in an August 1999 Form 10-K filed
27 with the Securities Exchange Commission, 3Com wrote that "we
28 derive a significant portion of our personal connectivity product
sales from PC OEMs, such as . . . IBM, who incorporate our
[Network Interface Cards], analog modems, or chipsets into their
products." Constant Decl., Ex. A.16.

1 agreement had no relationship to the patents-in-suit is
2 unavailing. Although the agreement did not specifically identify
3 certain patents by number, and the parties did not discuss in
4 their negotiations particular products that would be licensed
5 under the agreement, the license encompassed 3Com's patents with
6 an effective filing date prior to June 5, 2005, which includes all
7 of the patents at issue here.

8 In addition, USEI provides no authority that supports its
9 contention that the sale of products under a broad portfolio
10 license cannot be imputed to the patent holder.¹⁰ The terms of
11 § 287(a) do not contain any such express exemption and instead
12 apply to any "persons making, offering for sale or selling within
13 the United States any patented article" under a patentee. 35
14 U.S.C. § 287(a); see also In re Yarn Processing Patent Validity
15 Litig., 602 F. Supp. 159, 169 (W.D.N.C. 1984) (this section
16 "applies to authorizations by patentee of other persons to make
17

18
19 In response, USEI asserts that the Form 10-K is not a
20 "reasonable basis for 3Com to believe that" IBM was infringing the
21 patents-in-suit. Opp. at 16 n.42. However, USEI does not explain
22 why not. Further, Movants did not offer this document as evidence
23 from which 3Com should have learned that IBM was using technology
24 covered by the patents-in-suit in its products; instead, they
25 offered it to show that 3Com knew that IBM was doing so.

26 ¹⁰ USEI suggests in its opposition that the court in Clancy
27 Sys. Int'l v. Symbol Techs., 953 F. Supp. 1170 (D. Colo. 1997),
28 found that, for a licensee to sell a patented article "for or
under" a patentee, the license must "specifically" permit the
licensee to sell the infringing product, and thus that a "broad
portfolio license" is insufficient. However, there was no such
discussion or holding in Clancy. The portion of that opinion that
USEI cites is simply a description of the license agreement at
issue in that case and a recitation of the fact that the patent
owner there admitted that the licensed product infringed the
patent, thereby qualifying as a "patented article" under § 287(a).
Id. at 1173.

1 and sell patented articles regardless of the particular form these
2 authorizations may take"), cited with approval by Amsted Indus. v.
3 Buckeye Steel Castings Co., 24 F.3d 178, 185 n.2 (Fed. Cir. 1994).
4 Here, 3Com, as the patentee, granted IBM the right to make and
5 sell products that practice its patents. Other courts have
6 applied marking requirements in the context of a portfolio
7 license. See, e.g., WiAV Solutions LLC v. Motorola, Inc., 732 F.
8 Supp. 2d 634, 636, 641-43 (E.D. Va. 2010). Further, to hold
9 otherwise would be inconsistent with the "three related purposes"
10 of the marking statute: "1) helping to avoid innocent infringement
11 . . .; 2) encouraging patentees to give notice to the public that
12 the article is patented . . . ; and 3) aiding the public to
13 identify whether an article is patented . . ." Nike Inc. v. Wal-
14 Mart Stores, 138 F.3d 1437, 1443 (Fed. Cir. 1998). Section 287(a)
15 penalizes patentees who put into the marketplace--either directly
16 or indirectly, through their failure to take reasonable efforts to
17 police their licensees--unmarked products that do not inform the
18 public that the intellectual property embodied in those products
19 is protected.

20 The parties also dispute whether the products sold by Intel
21 were subject to the marking requirement due to the 2002 covenant
22 not to sue between Intel and 3Com. Although USEI contends that
23 the purpose of the covenant not to sue was to obtain "patent
24 peace" and not to grant a license or authorization to make
25 products, courts have previously found that § 287's marking
26 requirement applies to a patentee's authorization of other persons
27 to make and sell patented items in whatever form the authorization
28 was given, "regardless of whether the authorizations are

1 'settlement agreements,' 'covenants not to sue' or 'licenses.'"
2 In re Yarn Processing Patent Validity Litig., 602 F. Supp. at 169;
3 see also De Forest Radio Tel. Co. v. United States, 273 U.S. 236
4 (1927) ("As a license passes no interest in the monopoly, it has
5 been described as a mere waiver of the right to sue by the
6 patentee") (internal quotation marks and citation omitted);
7 TransCore, LP v. Elec. Transaction Consultants Corp., 563 F.3d
8 1271, 1275 (Fed. Cir. 2009) (stating that "this court and its
9 predecessors have on numerous occasions explained that a non-
10 exclusive patent license is equivalent to a covenant not to sue"
11 and collecting cases).

12 USEI also argues that the covenant not to sue should not be
13 read as such an authorization because 3Com did not grant Intel the
14 rights to practice the patents-in-suit under the restrictive
15 cross-license that they entered at the same time as the covenant
16 not to sue. In support of its argument, USEI relies on Phillip M.
17 Adams & Assocs., LLC v. Winbond Elecs. Corp., 2010 U.S. Dist.
18 LEXIS 93799 (D. Utah), in which the district court considered a
19 licensing agreement that contained a covenant not to sue and
20 addressed whether it authorized the sale of particular products,
21 which were not encompassed in the express license, as "for or
22 under the" patentee pursuant to § 287. The court found that, to
23 read the covenant not to sue as granting an implied license as to
24 all matters covered in that covenant would render all of the
25 limitations in the express license "surplusage, an impermissible
26 result under California law." Id. at 29-30. Thus, the court
27 concluded that the products sales could not be imputed to the
28 patentee for the purposes of the marking statute. Id. at 30.

1 However, USEI fails to demonstrate that the separate cross
2 license and covenant not to sue at issue here are the equivalent
3 of those analyzed by in the Adams case or that reading of the
4 covenant not to sue as an implied license in this case would
5 render any part of the cross license as surplusage. Unlike in
6 Adams, the documents here are separate contracts that involve
7 different parties. As explained above, to resolve the Xircom
8 litigation, Xircom, 3Com and Intel contemporaneously entered into
9 a series of contracts. The settlement agreement was signed by all
10 three and had the other two contracts attached to it. The cross
11 license was also executed by all three and involved only Xircom
12 and 3Com patents, among other things, granting Xircom and Intel
13 the right to use five specific 3Com patents that are not at issue
14 in this litigation. Cross License Agreement §§ 1.6, 3.3, 3.4. In
15 contrast, the covenant not to sue was executed only by Intel and
16 3Com. In that document, each of these companies agreed not to
17 assert any of their patents against each other alleging
18 infringement of the subject matter covered by the agreement.
19 Covenant Not to Sue § 3.2. The covered subject matter is defined
20 broadly and encompasses all products made by the respective
21 companies, with limited exclusions. Id. at §§ 1.9, 1.10, 1.20,
22 1.21. Particularly in light of the differing time periods, scope
23 and parties to the agreements, it is not clear that interpreting
24 the covenant not to sue as an authorization to practice the
25 patented technology would have any effect whatsoever on the
26 separate cross license, and USEI has not identified any.

27 Further, reading the document as a whole, the covenant not to
28 sue does unambiguously authorize Intel's manufacture and sale of

1 products under any of 3Com's covered patents, even if the parties
2 did not specifically discuss or know that Intel was practicing the
3 technology of the patents-in-suit at the time of contracting.¹¹ In
4 the covenant, 3Com agrees that, for the effective term of the
5 agreement, it "will not Assert any Patent owned by 3Com or as to
6 which 3Com has the right to Assert infringement against Intel or
7 Permitted Assignees, alleging direct or indirect infringement with
8 respect to Covered Intel Subject Matter." Id. at § 3.2.2. "This
9 term, without apparent restriction or limitation, thus authorizes
10 all acts that would otherwise be infringements: making, using,
11 offering for sale, selling, or importing." TransCore, 563 F.3d at
12 1276. This is particularly clear because "Covered Intel Subject
13 Matter" encompasses "all products manufactured, imported, sold or
14 offered for sale by or for Intel," with limited exceptions that
15 USEI has not invoked here. Cross License Agreement §§ 1.9, 1.21;
16 see also id. at § 3.1 (stating the intent of the parties to avoid
17 "patent disputes between themselves as a result of sales of their
18 products").

19 Accordingly, Intel's sales of purportedly infringing products
20 during the time period covered by the covenant not to sue were
21 carried out under the authority of 3Com and can thus be imputed to
22 3Com for the purposes of § 287's marking requirement. As with the
23 IBM agreement, 3Com did not take reasonable efforts--or any
24 efforts whatsoever--to ensure that any sale of products by Intel
25 under this authorization complied with this requirement. Further,
26 _____

27 ¹¹ Movants have offered evidence that shows that 3Com was
28 aware that Intel was a "well-positioned competitor" in the
relevant technology at this time. Constant Decl., Ex. A.17, 9.

1 the number of purportedly infringing components sold by Intel
2 during a one year time period from November 2003 to November 2004
3 dwarfs, by a factor of almost five, the number of components sold
4 by 3Com for a seven year period through 2004.

5 To the extent that USEI relies on the district court's denial
6 of the defendant's motion for partial summary judgment based on
7 marking in the Realtek litigation, this is unavailing. The motion
8 there was brought based on 3Com's purported failure to mark its
9 own products with the patents, not on its failure to make
10 reasonable efforts to ensure that licensees complied with the
11 marking requirements. Even assuming for the purposes of this
12 motion that 3Com did mark substantially all of its own products
13 and that it made reasonable efforts to ensure that its express
14 licensees, Realtek, ADMtek and VIA, did so, this is not sufficient
15 to preclude summary judgment, in light of the failure to take
16 reasonable steps to ensure that Intel and IBM marked products with
17 the patents.

18 USEI also argues that the motion should be denied because
19 Movants have not offered evidence that Intel's products infringe
20 the patents-in-suit and instead rely on USEI's assertions of
21 infringement. It contends that this motion is premature, because
22 some or all of Intel's products may be found ultimately not to
23 infringe and "there would be no reasonable argument that 3Com
24 failed to comply with the marking requirements of Section 287
25 based on the sale of non-infringing Intel products." Opp. at 19.
26 However, as explained by another district court presented with the
27 same argument, this argument is insufficient to raise a genuine
28 issue of material fact:

1 Loral simply argues that a genuine factual issue remains
2 as to whether the CCDs sold by Toshiba, NEC and the
3 other defendants infringe claims of the '485 patent.
4 Loral contends that this court cannot rule on this
5 motion until the finder of fact rules on infringement.
6 These legal contentions, however, do not satisfy Loral's
7 burden to present factual evidence showing a genuine
8 issue of material fact.

9 Loral has consistently asserted in this case that the
10 CCDs sold by Matsushita, Toshiba, and NEC in the United
11 States infringe claims of the '485 patent. Defendants
12 have conclusively shown these specific allegedly
13 infringing CCDs were sold, unmarked, during the terms of
14 license agreements with Fairchild. Loral has not
15 withdrawn its claim of infringement of any of these
16 devices. In sum, Loral has provided no evidence to show
17 a genuine issue of material fact. See Fed. R. Civ. P.
18 56(e).

19 Rather than supply evidence creating a genuine factual
20 issue, Loral has merely argued the possibility that the
21 trier of fact could find that these CCDs do not infringe
22 -- a position inconsistent with Loral's pleadings,
23 answers to interrogatories, statement of undisputed
24 facts, and its interpretation of the scope of its
25 patent, either literally or by equivalents. Loral
26 cannot create a genuine issue of fact as to whether
27 these licensed CCDs are covered by the '485 patent
28 simply by arguing the possibility of such a result.

1 Loral Fairchild Corp. v. Victor Co. of Japan, 906 F. Supp. 813,
2 818 (E.D.N.Y. 1995). Similarly, here, USEI has consistently taken
3 the position that the relevant products sold by Intel infringe its
4 patents, and it has not offered any evidence here that they do
5 not--instead, it just speculates that the factfinder ultimately
6 may find that Intel's products do not infringe. With their
7 motion, Movants offered evidence that the marking requirement was
8 not met and thus the burden shifted to USEI to raise an issue of
9 fact to preclude summary judgment. It cannot meet its burden to
10 do so simply through argument unsupported by evidence.

11 Further, USEI has raised no genuine issue of material fact
12 that 3Com failed to mark its products with the '313 Patent. With
13 their motion, Movants offered evidence that 3Com did practice the

1 '313 Patent. In its infringement contentions, USEI asserted that
2 "its predecessor in interest, 3Com Corporation, practiced [the
3 Asserted Claims] as 3Com was a world-wide leader in Ethernet
4 products until it was forced out of business . . ." Constant
5 Decl., Ex. A.2, 18. USEI responds that this statement "falls
6 short of demonstrating that 3Com sold an unmarked products that
7 practiced the '313 Patent." Opp. at 18, n.49. However, Movants
8 offered this to show that 3Com did make products that practiced
9 the '313 Patent, and a jury could conclude from this statement
10 that 3Com did this. Movants also offered testimony from USEI's
11 Rule 30(b)(6) witness that USEI did "not know" if 3Com or anyone
12 else ever marked products with the '313 Patent. Constant Decl.,
13 Ex. A.7, 21:6-14. Thus, Movants produced evidence that showed
14 that USEI would not able to meet its burden of persuasion at trial
15 to show that the products that 3Com made practicing the '313
16 Patent were marked. USEI did not respond with any evidence to
17 demonstrate that there is a genuine issue of fact as to this.¹²

18 Finally, USEI argues that, even if the Court holds--as it
19 has--that patented products sold by Intel during the term of the
20 covenant not to sue should be imputed to 3Com, "[a]ny limitation
21 on USEI's ability to recover damages for infringement of the
22 Patents-in-Suit under 35 U.S.C. §287 should end on November 8,
23 2004," the expiration of that covenant. Opp. at 17-18. However,
24

25
26 ¹² In addition, Movants offered evidence that USEI has
27 identified Broadcom's BCM5700 chip of infringing the '313 Patent,
28 see Constant Decl., Ex. A.2, 7; Bremer Reply Decl., Ex. A.2, 7,
and that 3Com itself made unmarked products that utilized this
chip, see Bremer Reply Decl., Exs. A.3, A.4. USEI did not address
or respond to this evidence at the hearing.

1 this argument fails to take into account that the license
2 agreement with IBM remained valid past that date and that IBM
3 continued to sell unmarked products that included accused Intel
4 components through 2009.

5 Accordingly, the Court GRANTS Movants' motion for partial
6 summary judgment on the basis of marking. USEI cannot recover
7 damages for any acts of infringement of the '872, '459 or '313
8 Patents against Movants, except ASUS Computer International, that
9 took place before it filed infringement claims against each of
10 them. Further, USEI cannot recover damages for any acts of
11 infringement of the '313 Patents against ASUS Computer
12 International that took place before USEI filed infringement
13 claims against it.

14 II. Nominal damages

15 Intel and Nvidia move for summary judgment precluding USEI
16 "from asserting that damages should be calculated by applying a
17 royalty rate or percentage to revenues or profits from the accused
18 products" and limiting USEI "to proffering a reasonable royalty
19 based on the total costs of permanently removing the accused
20 features from the accused products, rather than on any alleged
21 value of the accused features to Intel, Nvidia, or their
22 customers." Mot. at 20. They argue that, since before October
23 2003, they have disabled the accused features of their Ethernet
24 products in the software drivers that they provide to purchasers.
25 USEI moves to continue the motion for partial summary judgment
26 pursuant to Federal Rule of Civil Procedure 56(d).

27 Although, if Intel and Nvidia were to prove ultimately that
28 any infringing capabilities of their accused products were in fact

1 fully disabled for the damages period, and that the accused
2 features were of no benefit to them or their customers during that
3 time, USEI may be foreclosed from recovering damages as they urge,
4 USEI has identified sufficiently specific evidence that it may
5 obtain through discovery that may be relevant to the issue of
6 disablement, including whether the features may have been re-
7 enabled. Accordingly, the Court GRANTS USEI's Rule 56(d) motion.
8 The Court DENIES Intel and Nvidia's motion for partial summary
9 judgment without prejudice to re-filing as part of the parties'
10 dispositive cross-motions that are set to be briefed after the
11 close of fact and expert discovery.¹³

12 CONCLUSION

13 For the reasons set forth above, the Court GRANTS in part and
14 DENIES in part Movants' motion for partial summary judgment
15 (Docket Nos. 766 in 10-3724, 450 in 10-5254), GRANTS USEI's Rule
16 56(d) motion (Docket No. 793), GRANTS USEI leave to file a
17 surreply and DENIES it leaves to file a notice of newly discovered
18 evidence (Docket No. 823). Within three days of the date of this
19 Order, USEI shall file its proposed surreply in the docket.

20 USEI is precluded from recovering damages for any acts of
21 infringement of the '872, '459 or '313 Patents by Intervenor
22 Intel Corporation, Broadcom Corporation, Marvell Semiconductor
23 Inc., Nvidia Corporation, Atheros Communications Inc. and Sigma
24 Designs, Inc., and Defendants Acer, Inc., Acer America
25 Corporation, Apple, Inc., Asustek Computer Inc., AT&T Services,
26

27
28 ¹³ USEI's motion for leave to file newly discovered evidence
regarding disablement is therefore DENIED as moot.

1 Inc., Dell Inc., Fujitsu Ltd., Fujitsu America, Inc., Gateway,
2 Inc., Hewlett Packard Co., Sony Corporation, Sony Corporation of
3 America, Sony Electronics Inc., Toshiba Corporation, Toshiba
4 America, Inc., or Toshiba America Information Systems, Inc. that
5 took place before it filed infringement claims against such
6 Defendant or Intervenor. Further, USEI is precluded from
7 recovering damages for any acts of infringement of the '313
8 Patents against ASUS Computer International that took place before
9 USEI filed infringement claims against it.

10 IT IS SO ORDERED.

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12 Dated: 8/16/2013

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CLAUDIA WILKEN
United States District Judge